

1 (Whereupon, the following
2 was had out of in camera.)

3 MS. SODERNA: Q Now pointing you to Page 4 of
4 your surrebuttal testimony at Line 78, in your
5 discussion of Hub revenues you indicate that the
6 level of revenue generated by Hub transactions
7 during the 2-year period from March 2005 to
8 February 2007 was approximately 27.5 million, is
9 that right?

10 A Yes.

11 Q And if I may approach the witness.

12 I'm going to show you the Company's
13 response to CUB 7.06. Are you familiar with this
14 response (indicating)

15 A Yes.

16 Q Am I correct that the attachment to the
17 response to CUB 7.06 shows by month the Hub revenues
18 credited against gas costs and by type of service
19 for the period March 2005 through February 2007?

20 A Yes.

21 Q And in the far right column it appears to
22 total these revenues and the total shown is

1 27,176,125, is that right?

2 A Yes.

3 Q Why is there a difference between this
4 total and the 27.5 million referenced in your
5 testimony?

6 A Mostly like an accounting adjustment that's
7 actually reflected in the values that are credited
8 back to gas-charged customers. It's a timing issue.

9 Q If we just look at the first column on this
10 page, which represents the park and loan revenues,
11 am I correct that approximately 17.1 million in park
12 and loan revenue was credited against gas cost
13 during the period March 2005 through February 2007?

14 A Again, subject to the accounting
15 differences for timing, yes, that's what the
16 document shows.

17 Q And am I correct that of the approximately
18 \$17.1 million, 436,731 was from park and loan
19 transactions that were initiated in March 2005 and
20 completed in September 2005?

21 A Yes.

22 Q And that time frame was prior to the

1 commencement of the reconciliation period, is that
2 right?

3 A Yes.

4 Q Would you agree with me that park and loan
5 transactions that are initiated and completed prior
6 to the commencement of the reconciliation period
7 cannot have an impact on reconciliation period gas
8 costs?

9 A From an accounting basis, yes. From an
10 operational basis, those activities need to be taken
11 into account.

12 Q What would be the difference?

13 A Dollars flow when it's actually received,
14 gas flows when it actually flows and they may not
15 match.

16 Q Wouldn't the gas flow typically be before
17 the revenues are received not after?

18 A The revenues flow with when the gas is
19 returned to the customer. That's the loan part of
20 the park and loan.

21 Q Am I correct that the Company credits
22 recoverable gas costs with park and loan revenues in

1 the month that the gas is returned to a
2 counterparty?

3 A I'm not an accounting expert. Generally,
4 that's true. That's how I understand it.

5 Q I could show you the Company's response to
6 CUB's 7.05, which in response to a question about
7 the timing of recoverable gas costs being credited
8 with park and loan revenues, the Company states that
9 it credits recoverable gas costs with park and loan
10 revenues in the month that gas is returned to the
11 counterparty, do you see that?

12 A Yes.

13 Q Do you agree with this statement?

14 A Yes.

15 Q So that means that if the Company entered
16 into a loan transaction that provided for the
17 delivery of gas to a counterparty in January 2007
18 and the redelivery of gas to the Company in
19 July 2007, those revenues would have been credited
20 against recoverable gas costs in January 2007, is
21 that right?

22 A When was the park and when was the loan?

1 To be able to answer your question I need to know
2 those two parts.

3 Park is us receiving the gas from the
4 park and loan customer. The loan is the Company
5 returning the gas to the park and loan customer.
6 The dollars flow with the loan portion of it. We
7 would be paid for the service at the time we
8 returned the gas.

9 Q Okay. I'll use your terminology to clarify
10 the question.

11 So if the gas is loaned to a
12 counterparty in January 2007 and redelivered or
13 parked with the Company in July 2007, the revenues
14 would have been credited against the recoverable gas
15 cost in January 2007, right?

16 A Yes.

17 Q Did the Company engage in loans which
18 provided for the delivery of gas to a counterparty
19 in January or February 2007?

20 A Not that I'm aware of, but I'm also not
21 sure how it's relevant to the '06 reconciliation
22 period. But, no, not that I know of.

1 Q Well, let me show you the Company's
2 corrected response to CUB 3.20 (indicating).

3 This discovery request asked about the
4 parks and loans completed after the conclusion of
5 the reconciliation period, is that right?

6 A Yes.

7 Q And am I correct that after CUB filed its
8 rebuttal testimony in this case, the Company
9 corrected this response which identified certain
10 park and loan revenues, correct?

11 A Yes.

12 Q And that correction was made in the
13 Company's response to CUB 7.08, right?

14 Are you familiar with CUB 7.08?

15 A I know we corrected CUB 3.20.

16 Q Just for the sake of clarity, why don't I
17 show you -- because the Company's response to
18 CUB 7.08 refers to its corrected response to
19 CUB 3.20.

20 I know that you don't have the
21 Company's original response -- or the original
22 attachment to CUB 3.20. But would you agree with

1 me, subject to check, that the Company's original
2 response to CUB 3.20 totaled the revenues at
3 3,549,218?

4 A I can't agree or disagree with that. I
5 don't know.

6 Q Would you agree with me that the Company's
7 revised response indicates total park and loan
8 revenues of 6,449,355, or would you prefer to take
9 out a calculator and add them up?

10 A In response to what?

11 Q I'm now referring to this revised response
12 to 3.20. The numbers are not tallied on the
13 document. I'm asking you to agree, subject to
14 check, that the total is 6,449,355.

15 A If you give me a minute, I'll actually add
16 it for you.

17 Q Okay.

18 A What was the number again?

19 Q 6,449,355.

20 (Short pause.)

21 THE WITNESS: The number that you gave me,
22 6,449,355 is correct.

1 MS. SODERNA: Okay.

2 Q I know that you do not have the Company's
3 original response to CUB 3.20 in front of you
4 because I did not bring it with me, but would you
5 agree, subject to check, that the difference in the
6 corrected version, from the original version, is a
7 revenue increase of approximately 2.9 million?

8 A I don't know.

9 Q You can't accept that, subject to check?

10 A We provided the corrected information. I
11 don't know what the original number was.

12 MS. SODERNA: I'm sorry. If you could bear with
13 me for one minute. Let me double-check that I don't
14 have it with me.

15 (Short pause.)

16 MS. SODERNA: Okay. That's all the questions I
17 have.

18 Thank you.

19 MR. JOLLY: Can I ask a few questions?

20 JUDGE HALOULOS: Sure.

21 MR. JOLLY: Thank you.

22

1 CROSS-EXAMINATION

2 BY

3 MR. JOLLY:

4 Q Mr. Dobson, my name is Ron Jolly. I'm an
5 attorney for the City of Chicago. Good morning.

6 A Good morning.

7 Q I just wanted to ask you a few questions
8 regarding some of the responses you made to
9 Ms. Soderna regarding Manlove Field. And it's my
10 understanding in one of your responses you said that
11 when it comes to planning the storage amounts that
12 are allocated to Peoples Gas, that those decisions
13 are made early in the calendar year, is that
14 correct?

15 A Yes.

16 Q And when you say the amount that's
17 allocated to Peoples Gas, do you mean the amount
18 that's allocated to the bundled customers or sales
19 customers of Peoples Gas?

20 A No.

21 Q What do you mean by that then?

22 A The capacity that is available at

1 Manlove Field for use by all of Peoples Gas
2 customers, exclusive of CUB customers and
3 North Shore Gas.

4 Q Okay. So how much is allocated to
5 Peoples Gas?

6 A During the reconciliation period
7 approximately 25 BCF. I believe it's 24.6.

8 Q Okay. And approximately 1.5 BCF is
9 allocated to North Shore Gas?

10 A Yes.

11 Q And Ms. Soderna also asked you, if more
12 Manlove Storage was available for system supply that
13 Peoples Gas might be able to reduce its purchases of
14 base load supply, do you recall that question?

15 A I recall the question. Yes.

16 Q And my recollection in response you said
17 that you couldn't answer that because you couldn't
18 look at Manlove in isolation, is that right?

19 A That's correct.

20 Q And when you said that, you said you had to
21 consider the other parts of the portfolio of
22 resources available to Peoples Gas?

1 A That's correct.

2 Q And you identified several of those
3 resources, is that right?

4 A At least the types. Yes.

5 Q Okay. And I jotted a few down and you
6 correct me if I'm wrong, transportation storage, I
7 believe, or capacity; storage services,
8 transportation customers, is that accurate?

9 A The assets that we take into consideration
10 would be the interstate pipeline, transportation
11 capacity we have or could obtain; the interstate
12 storage leased capacity that we have or could
13 obtain; as well as the Manlove Field capacity.

14 Q Now Manlove Field is owned by Peoples Gas,
15 is that right?

16 A Yes, sir.

17 Q Those other resources that you identified,
18 are those procured pursuant to contract?

19 A Yes.

20 Q And as a result, those have -- Peoples Gas
21 may have limited access to such resources depending
22 on what the terms of those contracts are, is that

1 correct?

2 A We have access pursuant to the terms of the
3 contract.

4 Q Right. But the terms of the contract may
5 limit when you can access gas that is stored or
6 available under such resources, is that right?

7 A Yes.

8 MR. JOLLY: I have nothing further.

9 MS. SODERNA: I would move for the admission of
10 what I mistakenly not marked as a cross-exhibit,
11 but. . . The Company's revised response to CUB
12 3.20.

13 MS. KLYASHEFF: I have no objection. I was just
14 going to ask how you plan to identify it, CUB
15 Cross-Exhibit something?

16 MS. SODERNA: Right. It was actually -- I think
17 it was CUB Cross-Exhibit 3. I forgot to mark them.

18 MS. KLYASHEFF: I guess I'm confused. Did you
19 move for admission of any of the other documents --

20 MS. SODERNA: No.

21 MS. KLYASHEFF: -- or is this the only --

22 MS. SODERNA: -- this is the only one.

1 MS. KLYASHEFF: Thank you.

2 MS. SODERNA: Does the record need to be
3 clarified with regard to the numbering of the
4 cross-exhibits, or is it clear enough just to state
5 that --

6 JUDGE HALOULOS: I think it's clear.

7 MS. SODERNA: I think I made it clear. In my
8 cross-examination I referred to it as --

9 JUDGE HALOULOS: Yes.

10 MS. KLYASHEFF: I think for reference purposes
11 if we reference it just what it's called.

12 MS. SODERNA: Sure. Let's just call it
13 CUB Cross-Exhibit 1. Let's make it easy. Does that
14 work?

15 JUDGE HALOULOS: Yes.

16 MS. SODERNA: Sorry about that.

17 MS. KLYASHEFF: May I have a few minutes?

18 JUDGE HALOULOS: Sure.

19 (Whereupon, a short
20 recess was taken.)

21 JUDGE HALOULOS: Back on the record.

22 MS. KLYASHEFF: The Company has no redirect.

1 Thank you.

2 (Witness excused.)

3 JUDGE HALOULOS: Is there anything further?

4 MS. KLYASHEFF: I think we just need a briefing
5 schedule at this point.

6 JUDGE HALOULOS: Is that it then, everyone?

7 (No response.)

8 MS. SODERNA: There's no drop-dead date on this
9 case, is there?

10 MS. KLYASHEFF: No.

11 MS. SODERNA: Staff, did you have any
12 suggestions for a briefing schedule?

13 MS. BUELL: The only suggestion Staff would have
14 is not any date prior to the week of January 12th.

15 MS. SODERNA: Is the first week of February for
16 initial brief too late for the parties or the Judge?

17 MS. KLYASHEFF: If it's acceptable to the
18 Judge --

19 JUDGE HALOULOS: Yes.

20 MS. KLYASHEFF: -- that's fine with the Company.

21 MS. SODERNA: That would help me out a lot.

22 Thank you.

1 So say February 4th, does that work?

2 MS. BUELL: I, unfortunately, have an

3 evidentiary hearing on February 4th and 5th that

4 would present a filing problem for me.

5 MS. SODERNA: How about February 6th?

6 MS. BUELL: We can do February 6th.

7 MS. SODERNA: Does that work with you?

8 MS. KLYASHEFF: That is fine.

9 MS. BUELL: If we can do reply briefs three

10 weeks later.

11 MS. SODERNA: Sure.

12 MS. KLYASHEFF: Fine with the Company. And with

13 the Judge's leave, may we file proposed draft orders

14 with the reply brief?

15 JUDGE HALOULOS: Yes.

16 I don't have a calendar in front of

17 me. We said February 6th?

18 MS. SODERNA: Right.

19 JUDGE HALOULOS: And then what was --

20 MS. BUELL: Three weeks later would be

21 February 27th.

22 JUDGE HALOULOS: Thank you.

1 Okay. Anything else?

2 MS. KLYASHEFF: Nothing from the Company.

3 JUDGE HALOULOS: Okay. Anything else from

4 Staff?

5 MS. BUELL: Nothing further from Staff, your

6 Honor.

7 Thank you very much for allowing us to

8 participate by phone.

9 JUDGE HALOULOS: No problem.

10 MS. SODERNA: Thank you.

11 (Whereupon, the above-entitled

12 matter was continued sine die.)

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